

The Gazette of India



EXTRAORDINARY

PART II—Section 2

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LOK SABHA

The following Bills were introduced in Lok Sabha on the 28th August, 1956:—

BILL* No. 57 OF 1956

A Bill to provide for the withdrawal of certain further sums from and out of the Consolidated Fund of the State of Travancore-Cochin for the service of the financial year 1956-57.

Be it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

1. This Act may be called the Travancore-Cochin Appropriation Short title. (No. 2) Act, 1956.

2. From and out of the Consolidated Fund of the State of Travancore-Cochin there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate to the sum of eleven lakhs, fifty-seven thousand and six hundred rupees towards defraying the several charges which will come in course of payment during the financial year 1956-57, in respect of the services specified in column 2 of the Schedule.

3. The sums authorised to be paid and applied from and out of the Consolidated Fund of the State of Travancore-Cochin by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year.

Withdrawal of Rs. 11,57,600 from and out of the Consolidated Fund of the State of Travancore-Cochin for the financial year 1956-57.

Appropriation.

*The President has, in pursuance of clauses (1) and (3) of article 207 read with article 238 of the Constitution of India, recommended to Lok Sabha the introduction and consideration of the Bill.

THE SCHEDULE
(See sections 2 and 3)

1 No. of Vote	2 Services and purposes	3			5
		Sums Voted by Parliament	not exceeding	Charged on the Consolidated Fund	
IX	Heads of States, Ministers and Headquarters staff . . .	Rs. ..	Rs. 23,000	Rs. 23,000	10
XIX	Public Health . . .	19,000	..	19,000	
XXV	Labour and Miscellaneous . . .	11,12,000	..	11,12,000	
XXXVI	Capital Outlay on Industrial Development	3,500	3,500	15
XXXVII	Capital Outlay on Civil Works . . .	100	..	100	
	TOTAL . . .	11,31,100	26,500	11,57,600	

STATEMENT OF OBJECTS AND REASONS

This Bill is introduced in pursuance of articles 204(1) and 205, read with article 238 of the Constitution and the Proclamation issued by the President on the 23rd March, 1956, in exercise of the powers conferred on him by article 356 thereof to provide for appropriation out of the Consolidated Fund of the State of Travancore-Cochin of the moneys required to meet the Supplementary expenditure charged on the Consolidated Fund and the grants made by the House of the People for expenditure of the Government of Travancore-Cochin for the financial year 1956-57.

MANILAL C. SHAH.

NEW DELHI;

The 11th August, 1956.

BILL* No. 58 of 1956

A Bill to transfer the share capital of the Hyderabad State Bank to the Reserve Bank of India and to provide for its proper management and other matters connected therewith or incidental thereto.

WHEREAS in view of the impending reorganisation of States, it is necessary to provide for the devolution of the functions of the State Government of Hyderabad in relation to the Hyderabad State Bank on one single authority;

AND WHEREAS in order to secure the more efficient performance 5 of banking and treasury functions by the Hyderabad State Bank as agent to the Reserve Bank of India and to enable the Reserve Bank of India to assist the Hyderabad State Bank, by the grant of subsidies or otherwise to extend banking facilities to the public on a larger scale, it is expedient and necessary to provide for the transfer of the share capital of the Hyderabad State Bank to the Reserve Bank of India and for its proper management and for other matters connected therewith or incidental thereto. 10

Be it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

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CHAPTER I

PRELIMINARY

Short title
and
commencement.

1. (1) This Act may be called the State Bank of Hyderabad Act, 1956.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint. 20

*The President has, in pursuance of clause (3) of article 117 of the Constitution of India, recommended to Lok Sabha the consideration of the Bill.

Definitions.

2. In this Act, unless the context otherwise requires,—
- (a) “appointed day” means the date on which this Act comes into force;
- 5 (b) “Hyderabad Bank” means the Hyderabad State Bank re-named under sub-section (1) of section 3, as the State Bank of Hyderabad;
- (c) “Hyderabad State Bank” means the Hyderabad State Bank constituted and incorporated under the Hyderabad State Bank Act, 1350F;
- 10 (d) “prescribed” means prescribed by regulations made under this Act;
- 2 of 1934.** (e) “Reserve Bank” means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934.

CHAPTER II

15 RE-NAMING OF THE HYDERABAD STATE BANK AND TRANSFER OF ITS SHARE CAPITAL TO THE RESERVE BANK

3. (1) On the appointed day, the body corporate constituted by the Hyderabad State Bank Act, 1350F, and known as the Hyderabad State Bank shall be re-named as the State Bank of Hyderabad and 20 shall, as from that day, carry on the business of banking and other business in accordance with the provisions of this Act and shall have power to acquire and hold property whether movable or immovable for the purposes of this Act and to dispose of the same.

(2) The said body corporate shall consist of the persons who for 25 the time being hold the office of Governor or Deputy Governor of the Reserve Bank and such other persons, if any, as the Central Government may, from time to time, appoint in this behalf.

(3) The change of name of the Hyderabad State Bank by sub-section (1) shall not affect any rights or obligation of that bank, 30 or render defective any legal proceedings by or against it; and any legal proceedings which might have been continued or commenced by or against the Hyderabad State Bank by its former name may be continued by or against it by its new name.

4.(1) Unless otherwise directed by the Central Government by 35 notification in the Official Gazette, the Head Office of the Hyderabad Bank shall be at Hyderabad.

(2) The Hyderabad Bank shall continue to maintain every branch and agency of the Hyderabad State Bank in existence immediately before the appointed day, and shall not discontinue any 40 such branch or agency or establish any new branch or agency except with the previous approval of the Reserve Bank.

XIX of
1350 F.

2 of 1934.

XIX of
1350 F.Change of
name of
Hyderabad
State Bank.Head Office
and branches
of Hyderabad
State Bank.

Transfer of share capital of Hyderabad State

Bank to Reserve Bank.

Compensation to share holders of Hyderabad State Bank.

5. On the appointed day, all shares in the capital of the Hyderabad State Bank shall be transferred to, and shall vest in, the Reserve Bank free of all trusts, liabilities and encumbrances.

6. (1) The Reserve Bank shall pay to the State Government of Hyderabad and every other person who, immediately before the appointed day, is registered as a holder of shares in the Hyderabad State Bank, as compensation for the transfer of such shares to the Reserve Bank under section 5, an amount calculated at the rate of ninety-four rupees four annas and six pies in Indian currency for each share of the face value of one hundred Osmania Sicca rupees. 10

(2) Notwithstanding the transfer of the shares in the capital of the Hyderabad State Bank to the Reserve Bank, any shareholder who, immediately before the appointed day, is entitled to payment of dividend on the shares of the Hyderabad State Bank held by him shall be entitled to receive from the Hyderabad Bank— 15

(a) all dividends accruing due on his shares in respect of any year which ended before the appointed day and remaining unpaid;

(b) dividends, if any, authorised by the Central Government in respect of any period immediately preceding the appointed day for which the Hyderabad State Bank has not declared any dividend.

(3) Nothing contained in sub-section (1) shall affect the rights inter se between the holder of any share in the Hyderabad State Bank and any other person who may have an interest in such share 25 and such other person shall be entitled to enforce his interest against the compensation awarded to the holder of such share but not against the Reserve Bank.

Certain officers of the Hyderabad State Bank to vacate office.

7. (1) Every person holding office as director (including the President and the managing director) or as deputy managing 30 director, in the Hyderabad State Bank immediately before the appointed day, shall be deemed to have vacated that office on the appointed day, and notwithstanding anything contained in this Act or in any other law for the time being in force or in any agreement or contract, such person shall not be entitled to any compensation 35 for the loss of office or for the premature termination of any agreement or contract relating to his employment, except such pension, compensation or other benefit, as the Hyderabad Bank may, with the previous approval of the Reserve Bank, grant to him having regard to what he would have received, if this Act had not been 40 passed and if his employment had ceased in the ordinary course.

(2) Nothing in sub-section (1) shall be deemed to prevent the Hyderabad Bank from re-appointing or re-employing with the previous permission in writing of the Reserve Bank, the managing director or the deputy managing director of the Hyderabad State Bank on such terms and conditions as are agreed upon between him and the Hyderabad Bank and are approved by the Reserve Bank.

8. (1) Notwithstanding anything contained in any law or contract of service or other document, no appointment made or promotion, increment in salary, pension or allowance or any other benefit granted to any person by the Hyderabad State Bank after the 19th day of December, 1954, and before the appointed day which would not ordinarily have been made or granted or which would not ordinarily have been admissible under the rules or authorisations of the Hyderabad State Bank, or of any provident, pension, or other fund in force before the 19th day of December, 1954, shall have effect or be payable or claimable from the Hyderabad Bank, or from any provident, pension or other fund or from any authority administering any such fund, unless the Reserve Bank has, by general or special order, confirmed the appointment, promotion or increment or has directed the grant of the pension, allowance or other benefit, as the case may be.

Special provisions regarding existing officers and employees.

(2) Where any officer or other employee of the Hyderabad State Bank has, whether before or after the appointed day, received any amount by reason of any such appointment, promotion or increment, or the grant of any such pension, allowance or other benefit, as is referred to in sub-section (1), which has not been confirmed or sanctioned by the Reserve Bank in pursuance of the powers conferred on it by that sub-section, such officer or other employee shall be bound to refund such amount to the Hyderabad Bank and that bank shall be entitled to take all such steps as may be necessary for recovering such amount.

(3) Where any managing director, deputy managing director or other employee of the Hyderabad State Bank has, after the 19th day of December, 1954, and before the appointed day, been paid any sum by way of compensation or gratuity, the Hyderabad Bank shall be entitled to claim refund of any sum so paid if the payment is not confirmed by the Reserve Bank by general or special order.

(4) Notwithstanding anything contained in any law for the time being in force, the re-naming of the Hyderabad State Bank or the transfer of its share capital to the Reserve Bank shall not entitle any officer or other employees of that bank to any compensation to which he may be entitled under any such law, and no such claim shall be entertained by any court, tribunal or other authority.

CHAPTER III

CAPITAL OF THE HYDERABAD BANK

Authorised capital.

9. The authorised capital of the Hyderabad Bank shall be one crore of rupees:

Provided that the Reserve Bank may, with the previous sanction of the Central Government, authorise an increase or reduction in the authorised capital of the Hyderabad Bank. 5

Issued capital.

10. (1) Out of the amount in the capital account of the Hyderabad State Bank on the appointed day,

(a) a sum of fifty lakhs of rupees shall be retained as the issued capital of the Hyderabad Bank and shall on that day stand allotted to the Reserve Bank in lieu of the compensation payable by it under section 6; 10

(b) any amount in excess of the sum of rupees fifty lakhs aforesaid shall on that day stand transferred to the Reserve Fund Account of the Hyderabad Bank. 15

(2) The Reserve Bank may, with the previous sanction of the Central Government, authorise an increase in the issued capital of the Hyderabad Bank, and such increased capital shall be provided by the Reserve Bank. 20

CHAPTER IV

MANAGEMENT OF THE HYDERABAD BANK

Management.

11. (1) The Reserve Bank may, from time to time, give directions and instructions to the Hyderabad Bank in regard to any of its affairs and business, and that bank shall be bound to comply with the directions and instructions so given. 25

(2) Subject to any such directions and instructions, the general superintendence and conduct of the affairs and business of the Hyderabad Bank shall, as from the appointed day, vest in a Board of Directors who may exercise all powers and do all such acts and things as may be exercised or done by that bank. 30

(3) The Board of Directors in discharging its functions under this Act, shall act on business principles, regard being had to public interest.

Composition of Board of Directors.

12. (1) The Board of Directors of the Hyderabad Bank shall consist of the following:— 35

(a) a managing director to be appointed by the Reserve Bank with the approval of the Central Government;

(b) an officer of the Central Government to be nominated by that Government; 40

(c) an officer of the Reserve Bank to be nominated by that bank;

5 (d) such number of other directors not exceeding three, to be nominated by the Reserve Bank with the approval of the Central Government.

10 (2) If a director nominated under clause (b) or clause (c) of sub-section (1) is, for any reason, unable to attend any meeting of the Board of Directors or any of its committees, the Central Government or the Reserve Bank, as the case may be, may depute any other person to attend the said meeting and such other person shall have the right to speak in and otherwise take part in the proceedings of the meeting and shall also be entitled to vote at such meeting.

15 13. (1) The managing director shall hold office for such term not exceeding four years as the Reserve Bank may specify at the time of his appointment. Term of office of directors.

(2) A director nominated under clause (b) or clause (c) of sub-section (1) of section 12 shall hold office at the pleasure of the authority nominating him.

20 (3) A director nominated under clause (d) of sub-section (1) of section 12 shall hold office for three years:

Provided that he shall continue to hold office until his successor is duly nominated.

(4) A director relinquishing his office shall be eligible for re-appointment or re-nomination, as the case may be.

25 14. (1) A person shall be disqualified to be a director of the Hyderabad Bank, if— Disqualification for directorship.

30 (a) he holds the office of director, provisional director, promoter, agent, or manager of any banking company or a banking company for the formation of which a prospectus has been issued; or

(b) he has been removed or dismissed from the service of Government; or

(c) he holds any office of profit under the Hyderabad Bank, other than the office of a managing director; or

35 (d) he is, or at any time has been adjudicated an insolvent or has suspended payment of his debts or has compounded with his creditors; or

(e) he is declared as a lunatic or becomes of unsound mind; or

(f) he is or has been convicted of any offence involving moral turpitude.

(2) No two persons who are partners of the same firm or are directors of the same private company or one of whom is an agent of the other or holds a power of attorney from a firm of which the other is a partner may be directors at the same time. 5

(3) The appointment or nomination as a director of any person who is a member of either House of Parliament or the Legislature of a State shall be void unless within two months of the date of appointment or nomination, as the case may be, he ceases to be a member of Parliament or the Legislature of the State, and if any director is elected or nominated as a member of Parliament or the Legislature of a State, he shall cease to be a director as from the date of such election or nomination, as the case may be. 10

(4) In this section,—

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(a) 'banking company' has the same meaning as in the Banking Companies Act, 1949;

10 of 1949.

(b) 'manager' means the chief executive officer of a banking company by whatever name called;

(c) 'private company' has the same meaning as in the Companies Act, 1956. 20

1 of 1956.

15. If a director—

(a) becomes subject to any of the disqualifications mentioned in section 14, or

(b) resigns his office by giving notice in writing under his hand to the Reserve Bank, and his resignation is accepted by that bank, or

(c) is absent without leave of the Board of Directors for more than three consecutive meetings thereof,

his seat shall thereupon become vacant.

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Chairman of
the Board of
Directors.

16. (1) The chairman of the Board of Directors shall be such one of the directors, not being the managing director, as the Reserve Bank may, with the approval of the Central Government, nominate.

(2) The chairman shall hold office for two years or until his successor is nominated:

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Provided that the chairman shall, so long as he is a director, be eligible for re-nomination as chairman.

17. The managing director—Managing Director.
- (a) shall be a whole-time officer of the Hyderabad Bank;
 - (b) subject to the general control of the Board of Directors, shall exercise such powers and perform such duties as may be prescribed; and
 - (c) shall receive such salary and allowances as may be determined by the Reserve Bank.
18. A director, shall be paid for attending the meetings of the Board of Directors or of any of its committees and for attending ^{Remuneration of} directors. to any other business of the Hyderabad Bank such fees and allowances as may be prescribed:
- Provided that no fee shall be payable to the managing director or any other director who is an officer of the Government or the Reserve Bank.
19. The Reserve Bank may, with the previous approval of the Central Government, remove from office—Removal from office of director.
- (a) the managing director of the Hyderabad Bank, or
 - (b) a director nominated under clause (d) of sub-section (1) of section 12;
20. Provided that no such managing director or director shall be removed from office unless he has been given an opportunity of showing cause against the proposed removal.
21. (1) Where any vacancy occurs before the expiry of the term of office of a director nominated under clause (d) of sub-section (1) of section 12, the vacancy shall be filled by nomination by the Reserve Bank with the approval of the Central Government. Casual vacancies among the directors.
- (2) A person nominated under sub-section (1) shall hold office for the unexpired portion of the term of his predecessor.
22. (1) The Board of Directors shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed. Meetings of the Board of Directors.

(2) The chairman of the Board of Directors shall preside at all meetings of the Board, but if for any reason, the chairman is unable to be present at a meeting, a director other than the managing director authorised by the chairman in writing in this behalf and in the absence of such authorisation, any such director elected by the directors present from among themselves shall preside at the meeting.

(3) All questions at a meeting of the Board of Directors shall be decided by a majority of the votes of the directors present, and in case of equality of votes, the chairman or any other director presiding at the meeting shall have a second or casting vote.

(4) A director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal, entered into or proposed to be entered into by or on behalf of the Hyderabad Bank shall, at the earliest possible opportunity, disclose the nature of his interest to the Board of Directors and shall not be present at any meeting of the Board when any such contract, loan, arrangement or proposal is discussed, unless his presence is required by the other directors for the purpose of eliciting information and where any director is so required to be present, he shall not vote on any such contract, loan, arrangement or proposal.

(5) A copy of the minutes of every meeting of the Board of Directors together with copies of all connected papers shall be forwarded to the Reserve Bank as soon as possible.

Executive
and other
committees
of Board of
Directors.

23. (1) There shall be an executive committee of the Board of Directors consisting of the managing director and such other directors as may be prescribed.

(2) Subject to any regulations made under this Act, the executive committee may deal with any matter within the competence of the Board of Directors.

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(3) The minutes of every meeting of the executive committee shall be laid before the Board of Directors as soon as possible after the meeting.

CHAPTER V

BUSINESS TO BE CARRIED ON BY THE HYDERABAD BANK

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Hyderabad
Bank to act
as agent
of the
Reserve
Bank.

24. (1) The Hyderabad Bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at any place in India where

it has a branch and where there is no branch of the banking department of the Reserve Bank, for—

5 (a) paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India, and

(b) undertaking and transacting any other business which the Reserve Bank may, from time to time, entrust to it.

(2) The terms and conditions on which any such agency business shall be carried on by the Hyderabad Bank on behalf of the Reserve Bank shall be such as may be determined by the Reserve Bank after consultation with the Hyderabad Bank.

(3) The Hyderabad Bank may transact any business or perform any functions entrusted to it under sub-section (1) either by itself or through an agent approved by the Reserve Bank.

15 25. (1) Subject to the other provisions contained in this Act, Other business of which the Hyderabad Bank may carry on and transact the business of banking as defined in clause (b) of sub-section (1) of section 5 of the Banking Companies Act, 1949, and may engage in such one or more of the other forms of business, as are specified in sub-section 20 (1) of section 6 of the said Act.

(2) The Central Government may, after previous consultation with the Reserve Bank, by order in writing—

25 (a) authorise the Hyderabad Bank to do such other forms of business as the Central Government may consider necessary or expedient;

(b) direct that any form of business as is mentioned in the order, shall be carried on subject to such restrictions, conditions and safeguards as may be specified therein, or

30 (c) prohibit the Hyderabad Bank from carrying on or transacting any form of business which, but for this clause, it is lawful for the Hyderabad Bank to engage in.

(3) Subject to the provisions of sub-section (2), the Hyderabad Bank shall not engage in any form of business other than that referred to in sub-section (1).

35 26. (1) The Hyderabad Bank may, with the previous approval of the Reserve Bank, and shall, if so directed by the Reserve Bank with the previous approval of the Central Government, enter into negotiations for acquiring the business, including the assets and liabilities of any other banking institution.

(2) If the terms and conditions relating to the acquisition of any such banking institution are approved by the Board of Directors of the Hyderabad Bank and the directorate or management or the banking institution concerned and are also approved by the Reserve Bank, they shall be submitted to the Central Government, and, if sanctioned by that Government by order in writing, shall, notwithstanding anything to the contrary contained in this Act or the Companies Act, 1956, or the Banking Companies Act, 1949, or in any other law for the time being in force or in the memorandum or articles of association or other document regulating the constitution, of the banking institution, be operative and binding on the Hyderabad Bank and the banking institution as well as their shareholders and creditors, if any.

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1 of 1956.
10 of 1949.

(3) On the day fixed in this behalf in the order of sanction made by the Central Government under sub-section (2), such assets and liabilities of the banking institution as are specified therein shall, by virtue of this section stand transferred to, and be vested in, or as the case may be, become the liabilities of, the Hyderabad Bank.

CHAPTER VI

20

RESERVE FUND ACCOUNTS AND AUDIT

Reserve Fund.

27. (1) The Hyderabad Bank shall establish a Reserve Fund which shall consist of—

(a) subject to the provisions of sub-section (2), the amount in credit immediately before the appointed day, in the Reserve Fund Account of the Hyderabad State Bank, together with such amount as is transferred to it under sub-section (2) of section 10; and

(b) such further amounts as may be transferred to it by the Hyderabad Bank out of its annual net profit, before transferring the balance of profits to the Reserve Bank.

(2) The Hyderabad Bank shall, as soon as may be after the appointed day, consider whether any adjustments in its Reserve Fund Account are necessary by way of transfer towards provision for bad and doubtful debts, depreciation in assets, contingencies reserve and such other purposes and make, with the previous approval of the Reserve Bank, the necessary adjustments.

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28. The Hyderabad Bank shall after making provision for bad debts, depreciation in assets, contribution to staff and superannuation funds and for all other matters for which provision is necessary by or under this Act or which are usually provided for by banking companies, transfer the balance of its profits to the Reserve Bank.

29. (1) The Hyderabad Bank shall cause its books to be closed and balanced on the thirty-first day of December in each year: Closing of annual accounts.

Provided that the Hyderabad Bank may, with the previous approval of the Reserve Bank and shall, when so directed by it,—

(a) not close or balance its accounts on the thirty-first day of December in any year, or

(b) close and balance its books on any other day of the year or for any period other than a calendar year.

15 (2) Where in pursuance of the proviso to sub-section (1), the Hyderabad Bank closes and balances its accounts on any day other than the thirty-first day of December or for any period more or less than a year, the provisions of this Act relating to the annual closing and audit of annual balance sheet and accounts shall apply to such closing and balancing of accounts *mutatis mutandis*.

30. (1) The accounts of the Hyderabad Bank shall be audited by an auditor duly qualified to act as an auditor of companies under sub-section (1) of section 226 of the Companies Act, 1956, who shall be appointed by the Reserve Bank, with the approval of the Central Government.

(2) The auditor shall receive such remuneration as the Reserve Bank may fix.

(3) No director or an officer of the Hyderabad Bank shall be eligible to be its auditor during his continuance in office as such director or officer.

(4) The auditor shall be supplied with a copy of the annual balance sheet and profit and loss account, and a list of all books kept by the Hyderabad Bank, and it shall be the duty of the auditor to examine the balance sheet and profit and loss account with the accounts and vouchers relating thereto, and in the performance of his duties, the auditor—

(a) shall have, at all reasonable times, access to the books, accounts and other documents of the Hyderabad Bank;

- (b) may, at the expense of the Hyderabad Bank, employ accountants or other persons to assist him in investigating such accounts, and
- (c) may, in relation to such accounts, examine any director or any officer of the Hyderabad Bank. 5
- (5) The auditor shall hold office for such term not exceeding one year as the Reserve Bank may fix at the time of his appointment; and if any vacancy arises before the expiry of the term of an auditor, the vacancy may be filled by the Reserve Bank, with the approval of the Central Government. 10
- (6) An auditor shall on relinquishing office be eligible for re-appointment.
- (7) The auditor shall make a report to the Reserve Bank upon the annual balance sheet and accounts, of the Hyderabad Bank, and in every such report he shall state— 15
- (a) whether, in his opinion, the balance sheet is a full and fair balance sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and correct view of the affairs of the Hyderabad Bank, and in case he has called for any explanation or information, whether it has been given and 20 whether it is satisfactory;
- (b) whether or not the transactions of the Hyderabad Bank which have come to his notice have been within the competence of the bank;
- (c) whether or not the returns received from the offices 25 and branches of the Hyderabad Bank have been found adequate for the purpose of his audit;
- (d) whether the profit and loss account shows a true balance of profit and loss for the period covered by such account; and 30
- (e) any other matter which he considers should be brought to the notice of the Reserve Bank.
- (8) The auditor shall forward a copy of the audit report to the Hyderabad Bank and to the Central Government.
- (9) Without prejudice to the foregoing provisions, the Central 35 Government may at any time appoint such auditors as it thinks fit to examine and report on the accounts of the Hyderabad Bank and such auditors shall have all the rights, privileges and authority in relation to the audit of the accounts of Hyderabad Bank which an auditor appointed by the Reserve Bank has under this section. 40

31. (1) The Hyderabad Bank shall furnish to the Reserve Bank—
- (a) within two months from the date on which its accounts are closed and balanced, its balance sheet, together with the profit and loss account and the auditor's report, and a report by the Board of Directors, on the working of the Hyderabad Bank during the period covered by the accounts; and
 - (b) any other information relating to the affairs and business of the Hyderabad Bank which the Reserve Bank may require.
- 10 (2) The balance sheet and the profit and loss account of the Hyderabad Bank shall be signed by the managing director and a majority of the other directors, including the chairman.

CHAPTER VII

MISCELLANEOUS

- 15 32. (1) Where the Hyderabad State Bank had at any time within two years before the appointed day,—
- (a) made any payment to any person without or for insufficient consideration;
 - (b) made any loan or advance without adequate security or other safeguards;
 - (c) sold or disposed of any property of the bank without consideration or for an inadequate consideration;
 - (d) acquired any property or rights for an excessive consideration, in satisfaction of any loan or advance or other debt or otherwise;
 - (e) entered into or varied any agreement so as to require the payment of excessive consideration by the bank;
 - (f) relinquished any claim or any part thereof or entered into any compromise or released any security or part thereof;
 - 30 (g) entered into any other transaction of such an onerous nature as to cause a loss to or impose a liability on the bank exceeding any benefit accrued to it;
- and the payment, loan or advance, sale or disposal, acquisition, agreement or variation, relinquishment, compromise or release or 35 other transaction was not proper or not reasonably necessary for the purpose of the business of the bank or was made with an unreasonable lack of prudence on the part of the bank, regard being had to the circumstances at the time, the Reserve Bank may apply for relief to the High Court for the State in which the Head Office of the 40 bank for the time being is situated, in respect of such transaction,

Returns to
be furnished
by the
Hyderabad
Bank.

and all parties to the transaction (including managing director, deputy managing director or any officer or other employee of the bank associated with the transaction) shall, unless the High Court otherwise directs, be made parties to the application.

(2) The High Court may make such order against any of the parties to the application as it thinks just, having regard to the extent to which those parties were respectively responsible for the transaction or benefited from it and to the circumstances of the case. 5

(3) Where an application is made to the High Court under this section in respect of any transaction and the application is determined in favour of the Reserve Bank, the High Court shall have exclusive jurisdiction to determine any claim outstanding in respect of the transaction. 10

(4) No application made by the Reserve Bank under this section shall be entertained after the expiry of one year from the appointed day. 15

Staff of the Hyderabad Bank.

33. (1) Subject to the provisions of any regulations made under this Act, the Hyderabad Bank may appoint such number of officers, advisers and employees as it considers necessary or desirable for the efficient performance of its functions and on such terms and conditions as it may deem fit. 20

(2) For the removal of doubts, it is hereby declared that the officers, advisers and employees of the Hyderabad Bank, in whatever capacity engaged, shall not be deemed to be officers, advisers or employees of the Reserve Bank for any purpose, unless otherwise provided in the contract or agreement of service of any such officer, adviser or employee. 25

Cost of development programme. 34. The Hyderabad Bank may accept any subsidies offered by the Reserve Bank to meet—

(a) the cost of any specific programme of development undertaken by the Hyderabad Bank with the approval of the Reserve Bank; and 30

(b) such losses or expenditure as may be approved by the Reserve Bank, with the consent of the Central Government.

Obligation as to fidelity and secrecy.

35. (1) The Hyderabad Bank shall, observe, except as otherwise required by law, the practices and usages customary among bankers, and, in particular, it shall not divulge any information relating to or to the affairs of its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers, necessary or appropriate for that bank to divulge such information. 35 40

(2) Every director, auditor, adviser, officer or other employee of the Hyderabad Bank shall, before entering upon his duties, make a declaration of fidelity and secrecy as in the form set out in the First Schedule.

36. (1) No provision of law relating to the winding up of companies shall apply to the Hyderabad Bank nor shall it be placed in liquidation, save by order of the Central Government and in such manner as the Central Government may direct.

(2) In any such event, the Reserve Bank shall not be called upon to contribute any amounts to meet the liabilities of the Hyderabad Bank but the surplus assets thereof, if any, shall be transferred to the Reserve Bank.

37. (1) Every director of the Hyderabad Bank shall be indemnified by that bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as are caused by his own wilful act or default.

(2) A director of the Hyderabad Bank shall not be responsible for any loss or expense caused to the bank by the insufficiency or deficiency of the value of or title to, any property or security acquired or taken on behalf of the bank or by the insolvency or wrongful act of any customer or debtor or by anything done in, or in relation to, the execution of the duties of his office or otherwise than for his wilful act or default.

38. (1) No act or proceeding of the Board of Directors of the Hyderabad Bank shall be questioned on the ground merely of the existence of any vacancy or defect in the constitution of the Board.

(2) All acts done by any person acting in good faith as a director of the Hyderabad Bank shall, notwithstanding that he was disqualified to be a director or that there was any other defect in his appointment, be deemed to be valid.

39. Any powers, duties or functions conferred, imposed or entrusted by this Act on, or to, the Reserve Bank shall be exercised or performed by the Governor of the Reserve Bank or such other person or persons as may be prescribed.

40. No suit or other legal proceeding shall lie against the Central Government or the Reserve Bank or any officer of the Central Government or the Reserve Bank for any damage caused or likely to be caused by, anything which is in good faith done or intended to be done in pursuance of this Act.

Defects in
the appointment
or constitution
not to invalidate
acts or proceedings.

Exercise of
powers and
functions on
behalf of the
Reserve
Bank.

Protection of
action taken
under this
Act.

Power of
Central
Government
to make
rules.

41. (1) The Central Government may, in consultation with the Reserve Bank, by notification in the Official Gazette, make rules to give effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for—

5

(a) the procedure for payment of compensation under this Act, including the requirements subject to which the payment shall be made;

(b) the determination of persons to whom the said compensation shall be payable in all cases including cases where shares have been held by more than one person, or where they have been transferred before the appointed day, but the transfer has not been registered or where the shareholder is dead;

(c) the circumstances under which claims for payment of the said compensation from persons claiming through or under a shareholder may be entertained;

(d) the requirements to be complied with before receipt of the said compensation by a shareholder, whose share certificate has been lost, destroyed, mutilated or stolen;

(e) the requirements, subject to which information regarding the payment of the said compensation may be granted or refused and the conditions subject to which such information may be given; and

(f) the manner of payment of such compensation to the State Government of Hyderabad.

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(3) All rules made under this section shall be laid for not less than thirty days before both Houses of Parliament as soon as possible after they are made and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.

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Power of the
Reserve Bank
to make
regulations.

42. (1) The Reserve Bank may, with the previous approval of the Central Government, and except in the case of the first regulations, in consultation with the Board of Directors of the Hyderabad Bank, make regulations not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

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(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

- (a) the powers and duties of the managing director of the Hyderabad Bank;
- 5 (b) the fees and allowances which may be paid to directors for attending any meetings of the Board of Directors or of its committees or for attending to any other work of the Hyderabad Bank;
- 10 (c) the time and place at which, and the manner in which, the business of the Board of Directors shall be transacted and the procedure to be followed at the meetings thereof;
- 15 (d) the constitution of the executive committee of the Board of Directors and the conditions and limitations subject to which the executive committee may exercise its powers and the procedure to be followed at the meetings thereof;
- 20 (e) the formation of any other committees of the Board of Directors and the delegation of powers and functions of the Board to such committees and the conduct of business in such committees;
- 25 (f) the delegation of powers and functions of the Board of Directors to the managing director or other directors or officers or other employees of the Hyderabad Bank;
- 30 (g) the conditions and limitations subject to which the Hyderabad Bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service;
- (h) the duties and conduct of officers, advisers and other employees of the Hyderabad Bank;
- 35 (i) the establishment and maintenance of pension, provident or other funds for the benefit of officers and employees or for the purposes of the Hyderabad Bank;
- (j) the conduct and defence of legal proceedings by or against the Hyderabad Bank and the manner of signing pleadings;
- (k) the provision of a seal for the Hyderabad Bank and the manner and effect of its use;
- (l) the form and manner in which contracts binding on the Hyderabad Bank may be executed;

(m) the maximum amounts which may be advanced or lent or for which bills may be discounted by the Hyderabad Bank, the conditions under which advances may be made and the extent to which accounts may be overdrawn;

(n) the conditions subject to which advances may be made 5 by the Hyderabad Bank to its directors or officers or the relatives of such directors or officers or to companies, firms or individuals with which or with whom such directors or officers or relatives are connected as partners, directors, managers, servants, shareholders or otherwise; 10

(o) the persons or authorities who shall administer any pension, provident or other fund constituted by the Hyderabad State Bank before the appointed day, for the benefit of the officers or employees, or for the purposes of the said bank; and the amalgamation of any such fund with any similar fund 15 established by the Hyderabad Bank after the appointed day;

(p) the circumstances in which the specific approval of the Reserve Bank shall be required to the grant of loans and advances and investment of funds by the Hyderabad Bank, or to any contract, arrangement or proposal entered into or proposed to be 20 entered into by the Hyderabad Bank;

(q) the preparation and submission to the Reserve Bank of statements of programmes of activities and financial statements of the Hyderabad Bank and the periods for which and the time within which, such statements and estimates are to be prepared 25 and submitted.

(r) the person or persons in the Reserve Bank by whom any powers, duties or functions conferred, imposed or entrusted on or to the Reserve Bank under this Act may be exercised or performed; 30

(s) the periodical inspection of the affairs and business of the Hyderabad Bank by the Reserve Bank;

(t) the statements, returns and forms that are required for the purposes of this Act; and

(u) generally for the efficient conduct of the affairs of the 35 Hyderabad Bank.

44. On and from the appointed day, any reference to the Hyderabad State Bank in any law (other than this Act) or in any contract or other instrument shall, except as otherwise provided in any general or special order made by the Central Government, be deemed to be a reference to the Hyderabad Bank.

45. Nothing in this Act shall be deemed to affect the power of the Saving State Bank of India constituted under the State Bank of India Act, 1955, to acquire the business of the Hyderabad Bank in accordance with the provisions of section 35 of that Act, and where the business of the Hyderabad Bank has been so acquired, the bank shall, on such acquisition stand dissolved and the provisions of this Act shall cease to apply thereto.

THE FIRST SCHEDULE

[See section 35]

DECLARATION OF FIDELITY AND SECRECY

I do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me ⁵ as director, auditor, adviser, officer or other employee (as the case may be) of the State Bank of Hyderabad and which properly relate to the office or position held by me in the said bank.

I further declare that I will not communicate or allow to be ¹⁰ communicated to any person not legally entitled thereto any information relating to the affairs of the State Bank of Hyderabad or to the affairs of any person having any dealing with the said bank; nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the ¹⁵ State Bank of Hyderabad and relating to the business of the said bank or to the business of any person having any dealing with the said bank.

THE SECOND SCHEDULE

[See section 43]

XIX of
1950 F.

- I. AMENDMENTS TO THE HYDERABAD STATE BANK ACT, 1350F.**
- 5 1. In section 2, omit clauses (b) to (k).
2. In section 3, in sub-section (1), omit the words "for the purposes of this Act and for carrying on business in accordance with the provisions of this Act".
3. Omit sections 4 to 28 and Schedules I and II.
- 2 of 1934. 10 II. AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934.**
1. In section 10, in clause (e) of sub-section (1), for the words "or any of its subsidiary banks", substitute the following, namely:—
 “or any other bank notified by the Central Government in this behalf”.
- 15 2. In section 17,—
 (i) in clause (8A), for the words “or any of its subsidiary banks”, substitute the following, namely:—
 “or any other bank notified by the Central Government in this behalf”.
- 20 (ii) after clause (14), insert the following, namely:—
 “(14A) the granting of subsidies to the State Bank of Hyderabad for any of the purposes mentioned in section 34 of the State Bank of Hyderabad Act, 1956”.
- 25 3. In section 45, for the proviso, substitute the following, namely:—
 “Provided that nothing herein contained, shall affect—
 (a) the provisions of any agreement subsisting on the 1st day of July, 1955, between the Bank and any other banking institution for the conduct of Government business or other matters; and
 (b) the appointment by the Bank of any banking institution notified by the Central Government in this behalf as agent for the conduct of Government business or other matters at such places in India as may be approved by the Central Government:
- 35

Provided further that notwithstanding anything to the contrary contained in any agreement between the Bank and the State Bank, it shall be lawful for the Bank to exclude from the operation of such agreement any place where any of the banking institutions referred to in clause (b) of the preceding 5 proviso may have an office or branch.”.

4. In the Second Schedule, for the words “Hyderabad State Bank, Hyderabad (Deccan)”, substitute “State Bank of Hyderabad”.

III. AMENDMENTS TO THE BANKING COMPANIES ACT, 1949.

10 of 1949.

1. In section 39, for the words “the Reserve Bank or the State 10 Bank of India, as the case may be”, substitute the following, namely:—

“the Reserve Bank, the State Bank of India or any other bank notified by the Central Government in this behalf”.

2. For section 51, substitute the following, namely:—

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“51. Without prejudice to the provisions of the State Bank of India Act, 1955, or any other enactment, the provisions of sections 10, 13 to 15, 17, 19 to 21, 23 to 28, 29 [excluding sub-section (3)], 31, 34 to 36, 37, 45, 46 to 48, 50, 52 and 53 shall also apply; so far as may be, to and in relation to 20 the State Bank of India or any other banking institution notified by the Central Government in this behalf as they apply to and in relation to banking companies:

23 of 1955.

Provided that nothing contained in section 46 shall apply to any officer of the Central Government or the Reserve Bank 25 nominated as director of the State Bank of India or any other banking institution notified by the Central Government under this section.”.

Application
of certain
provisions
to the
State Bank
of India
and other
notified
banks.

STATEMENT OF OBJECTS AND REASONS

The Hyderabad State Bank is constituted under the Hyderabad State Bank Act (No. XIX of 1350 Fasli). Fifty-one per cent. of the bank's share capital is held by the Government of Hyderabad and the rest by private shareholders. The State Government enjoys certain powers in regard to its management. The bank is functioning at present as the agent of the Reserve Bank for conducting Government business in the Hyderabad State. With the reorganisation of the States, the offices of the Hyderabad State Bank conducting Government treasury work will be distributed over three States, namely, Andhra Pradesh, Bombay and Mysore. It is necessary to provide (i) for the devolution on one single authority of the functions of the State Government of Hyderabad in relation to the bank, (ii) for the more effective performance, by the Bank, of the Government business as agent of the Reserve Bank and (iii) for unified control and management of the bank in order to enable it to implement a programme of subsidised extension of banking facilities to the public. It is accordingly proposed that the shares of the Hyderabad State Bank should be vested in the Reserve Bank of India and compensation be paid to the existing shareholders at Rs. 94-4-6 for each share (of the face value of Rs. 100 O.S. in the now obsolete Hyderabad currency equivalent to Rs. 85-11-5 in Indian currency).

2. The corporate character of the existing Hyderabad State Bank is being retained but all the other provisions of the Hyderabad State Bank Act, 1350F, are being repealed and replaced by more suitable provisions contained in the Bill.
3. The Bill makes certain consequential and incidental amendments in the Reserve Bank of India Act, 1934, and in the Banking Companies Act, 1949.

A. C. GUHA.

NEW DELHI;

The 27th August, 1956.

FINANCIAL MEMORANDUM

Under sub-clause (9) of clause 30 of the Bill, the Central Government may appoint auditors to examine and report on the accounts of the State Bank of Hyderabad and any auditors so appointed will have to be remunerated by the Government. It is not possible at this stage to estimate the expenditure likely to be involved but it is not likely to exceed a few thousand rupees on each occasion when such auditors are appointed.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 41 authorises the Central Government to make rules regulating the manner in which the compensation payable under this law will be paid to the shareholders and for the determination of persons entitled to the compensation where shares are held by more than one person. It would be noticed that the amount of compensation payable to shareholders is specified in clause 6 of the Bill. The rule-making power is confined to matters of procedure only. The clause is substantially based upon section 49 of the State Bank of India Act, 1955. Clause 42 empowers the Reserve Bank of India to make regulations in respect of the matters specified therein. These regulations, generally speaking, deal with the normal day-to-day working of the State Bank of Hyderabad, such as the powers and duties of the managing director, the fees and allowances payable to directors, the time and place of meetings of Board of Directors, etc. This clause is based upon section 50 of the State Bank of India Act, 1955. It will, thus, appear that both the power to make rules and the power to make regulations is of a normal character.

M. N. KAUL,
Secretary.

